

TUSCOLA INTERMEDIATE SCHOOL DISTRICT

Caro, Michigan

Report on Financial Statements

June 30, 2006

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
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August 4, 2006

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Independent Auditor's Report

To the Board of Education
Tuscola Intermediate School District
Caro, Michigan 48723

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuscola Intermediate School District, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Tuscola Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Tuscola Intermediate School District as of June 30, 2006 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2006 on our consideration of Tuscola Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
August 4, 2006

The management's discussion and analysis and budgetary comparison information on pages i through ix and pages 23 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Tuscola Intermediate School District's basic financial statements. The additional information on pages 26 to 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
CARO, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Tuscola Intermediate School District, located in Caro, Michigan is one of 57 Intermediate School Districts in the State of Michigan and serves the nine local school districts in Tuscola County. TISD has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34).

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

FINANCIAL HIGHLIGHTS

The overall condition of all funds remains stable for TISD and follow the state's current economy with reductions in categorical state grant funds and educational grants in general. This has necessitated Tuscola ISD to partner with neighboring ISDs in providing services in the Instructional arena for teachers and administrators. Over the past six years, both staff and programs in Instructional Services have dwindled. Because of this, efforts began in 05-06 school year to offer a Student Achievement Model to lead teachers in both Tuscola and Huron Intermediate School Districts, as a joint venture, in the 2006-2007 school year.

The assets of Tuscola Intermediate School District exceeded its liabilities at the close of Fiscal Year 2006 by \$10,301,601 (net assets). Of this amount, \$4,688,642 (unrestricted net assets) may be used to meet the District's ongoing obligations to students, taxpayers, and creditors.

The District's total net assets increased by \$700,963.

As of the close of the current fiscal year, the district's governmental fund reported combined ending fund balances of \$6,015,371 an increase of \$856,446 in comparison with the prior year.

At the end of the current fiscal year, the aggregated fund balance for the District's operating funds (general fund, special education fund, Tuscola technology education fund) was \$5,700,654 or 28% of the total expenditures (\$20,341,054) of these operating funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the district's basic financial statements. The district's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and

3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the district's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The *statement of activities* presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Both of the government-wide financial statements display functions of the district that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the district include instruction, support services, and transfers to locals and other services. The district has no business-type activities as of and for the year ended June 30, 2006.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district fall within the governmental fund type category.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the district's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and

changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The district maintains seven different government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special education fund, Tuscola technology education fund, and cooperative education fund, each of which are considered to be a major fund. Data from the other four government funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The district adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-7 of this report, with a reconciliation between the two types of statements on page 8.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information for the district's major funds. Required supplementary information can be found on pages 23-25 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the supplementary information. Combining fund statements can be found on pages 26-27 of this report.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information and the Supplemental Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Government-wide Financial Analysis

The school district's net assets were \$10,301,601 at June 30, 2006. Of this amount, \$4,688,642 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the school district's ability to use those net assets for day-to-day operations.

District's Net Assets

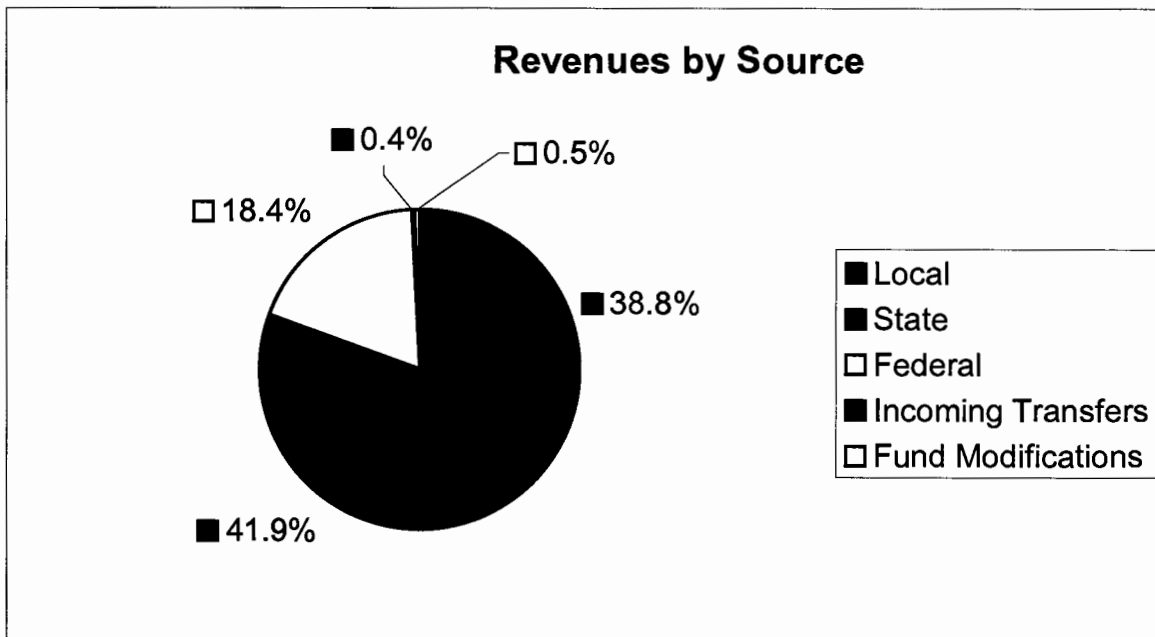
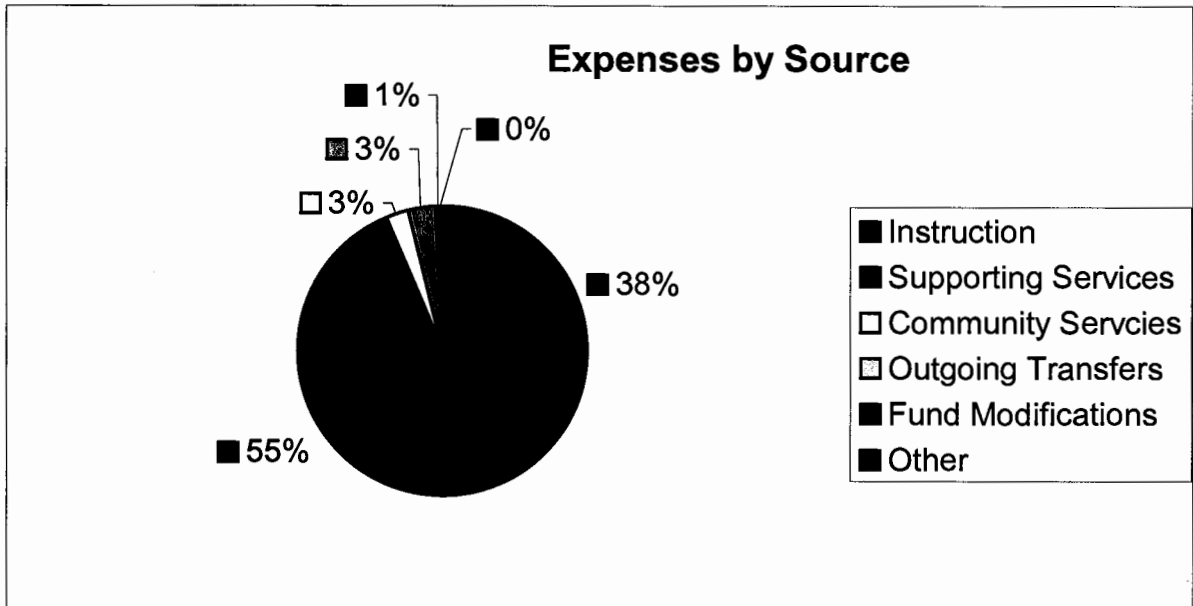
	June 30, 2005	June 30, 2006
Current assets	12,510,627	14,487,775
Noncurrent assets	7,324,111	7,138,832
Total Assets	19,834,738	21,626,607
Current liabilities	7,396,248	8,609,356
Noncurrent liabilities	2,837,852	2,715,650
Total Liabilities	10,234,100	11,325,006
Net Assets:		
Invested in capital assets, net of related debt	5,474,323	5,315,546
Restricted – Debt Service	196,948	297,413
Unrestricted	3,929,367	4,688,642
Total Net Assets	9,600,638	10,301,601

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental-type activities.

District's Changes in Net Assets

Governmental Activities	June 30, 2005	June 30, 2006
Revenue:		
Program Revenue:		
Charges for services	1,839,442	1,840,962
Operating grants	11,141,678	6,955,919
General Revenue:		
Property taxes, levied for general purposes	5,985,127	6,201,830
Investment earnings	47,633	155,947
State sources	1,275,172	6,559,106
Other	496,367	583,032
Total Revenue	20,785,419	22,296,796
Expenses:		
Instruction	5,796,953	8,498,251
Supporting services	10,066,921	11,575,660
Food Service	105,995	92,852
Federal	3,925,378	0
Community Services		423,278
Outgoing transfers and other	506,792	609,748
Interest on long-term debt	13,150	7,105
Unallocated depreciation	375,821	388,939
Total Expenses	20,791,010	21,595,833

Governmental Activities. Net assets increased by \$700,963 in 2005-2006. Net assets decreased by \$5,591 in 2004-2005.



MISSOURI
 STATE AUDITOR

Major Governmental Funds Budgeting and Operating Highlights

The school districts budgets are prepared according to Michigan Law. The most significant budgeted funds are the general fund, special education fund, and the Tuscola technology education fund.

During the fiscal year ended June 30, 2006, the school district amended the budgets of these major governmental funds three times.

General Fund – because of decreasing funds in both the General and Cooperative Educational budgets, these two funds were combined during the 2005-2006 school year. The general fund actual revenue was \$1,435,879. That amount is above the original budget estimates of \$1,380,422 and below the final budget amendment of \$1,486,527. The variance between the actual revenue, the original budget, and the final budget was the result of budgeting additional federal grant money for Safe & Drug Free Schools awarded in spring of 2006, as well as, MiBLSi and state funds for Health Ed and Math Science Middle School (awarded January 2006). Not all funds were received in 05-06 but the balance of these funds will be received and used in 06-07.

The actual expenditures and transfers out of the general fund were \$1,542,544, which is below the original budget of \$1,605,478 and final amendment budget of \$1,720,450. Because ECMEC and the Homeland Security Grant were eliminated during 2005-2006 the original budget amounts were decreased.

General fund had total revenues of \$1,435,879 and total expenditures and transfers out of \$1,542,544 with an ending fund balance of \$400,678.

Special Education Fund- the special education fund actual revenue was \$15.4 million. That amount is above the original budget of \$13.6 million and below the final amendment of \$15.5 million. In local revenues, Medicaid School-Based revenues were more than anticipated. In state revenues, a corresponding exchange between Section 52 and Section 53 funding occurred as well as an increase in transportation revenue due to increased reimbursable transportation expenses. In federal revenues, the expenses to be reimbursed through the Flowthrough Grant were down making the actual revenue lower than anticipated.

The actual expenditures and transfers out of the special education fund were \$14.47 million which is above the original budget of \$14.33 million and below the final amendment of \$15.1 million. Final expenditures were less than anticipated due somewhat to cost-cutting measures. In addition, an oversight in the budgeting process overstated projected outgoing transfers.

Special education fund had total revenue of \$15.4 million and total expenditures and transfers out of \$14.47 million with an ending fund balance of \$4.3 million.

Technology Education Fund- the technology education fund actual revenue was \$4.98 million. That amount is above the original budget of \$4.79 million and below the final amendment of \$5 million.

The actual expenditures and transfers out were \$4.96 million, which is below, but very close to the original budget of \$5 million and again below but very close to the final amendment of just under \$5 million. Technology education revenue was less than budgeted due to unreceived property taxes which were offset by receiving more in program sales and in the Information Systems department.

Technology education fund had total revenue of \$4.98 million and total expenditures of \$4.96 million with an ending fund balance of \$974,436. The difference between the final budget and the actual budget was \$30,532. Technology education expenses were less than budgeted due to Board approval to purchase Graphic Communications program upgrades out of Durrant funds. Plus, Tuscola Technology Center printing costs were not as much as anticipated, and most of Lemforder grant will be spent in 06-07 instead of 05-06. These savings were offset since \$19,000 (3/4) of the tax anticipation note interest was treated as accounts payable to 05-06.

Capital Asset and Debt Administration

Capital Assets – at the end of fiscal year 2006, the district had \$13.9 million invested in land, buildings, office, instructional, and transportation equipment. Of this amount, \$6.8 million in depreciation has been taken over the years. The district has net capital assets of \$7.14 million.

District's Capital Assets (Net of depreciation) June 30, 2005

	2004-2005	2005-2006
Land – not being depreciated	131,000	131,000
Buildings and improvements	10,462,377	10,510,931
Office and instructional equipment	1,921,863	2,029,651
Transportation equipment	1,096,738	1,242,725
Subtotal	13,611,978	13,914,307
Accumulated depreciation	(6,287,867)	(6,775,475)
Net capital assets	7,324,111	7,138,832

Additional information on the District's capital assets can be found on page 18 of this report.

Long-term Debt – at the end of the current fiscal year, the district had a total debt outstanding of \$1,823,287. Of this balance, \$323,287 is not a general obligation of the district and does not constitute an indebtedness of the district within any constitutional or statutory limitation, and is payable solely from state aid payments from the State of Michigan. The remaining balance of \$1.5 million represents general obligations of the district. Additional information on the District's long-term debt can be found on pages 20-21.

Economic Factors and Next Year's Budget

The economy in the State of Michigan continues to be sluggish with a little increase expected in Section 81 funds. There continues to be significant increases in employer paid insurance and retirement costs. There also continues to be a lack of state categorical funding and state and federal grants. Tuscola Intermediate School District will continue current efforts and try to increase collaborative efforts in the Instructional Services area for the 2006-2007 school year with surrounding Intermediate School Districts. Many factors, including the Governor's election and a proposed bill to guarantee school funding in future years, will impact the 2006-2007 budget as the year progresses.

Requests for Information

The financial report is designed to provide a general overview of the district's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Tuscola Intermediate School District, 1385 Cleaver Road, Caro, MI 48723.

BASIC FINANCIAL STATEMENTS

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2006

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS:	
Cash	\$ 11,039,815
Investments	297,413
Property taxes receivable	31,028
Accounts receivable	147,486
Due from other governmental units	2,972,033
	<hr/>
TOTAL CURRENT ASSETS	14,487,775
	<hr/>
NONCURRENT ASSETS:	
Capital assets	13,914,307
Less accumulated depreciation	(6,775,475)
	<hr/>
TOTAL NONCURRENT ASSETS	7,138,832
	<hr/>
TOTAL ASSETS	<u><u>\$ 21,626,607</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
State aid note	\$ 800,000
Accounts payable	299,319
Accrued salaries & benefits	884,467
Accrued interest	60,300
Accrued payroll taxes	225,149
Deferred revenue	6,213,481
Current portion of long term debt	126,640
	<hr/>
TOTAL CURRENT LIABILITIES	8,609,356
	<hr/>
NONCURRENT LIABILITIES:	
Noncurrent portion of long term debt	1,696,646
Compensated absences	1,019,004
	<hr/>
TOTAL NONCURRENT LIABILITIES	2,715,650
	<hr/>
NET ASSETS:	
Invested in capital assets, net of related debt	5,315,546
Restricted for debt service	297,413
Unrestricted	4,688,642
	<hr/>
TOTAL NET ASSETS	10,301,601
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 21,626,607</u></u>

The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 8,498,251		\$ 4,127,970	\$ (4,370,281)
Support services	11,575,660	\$ 1,640,999	2,811,045	(7,123,616)
Community services	423,278	176,803		(246,475)
Food services	92,852	23,160	4,957	(64,735)
Transfers to other districts	609,748	-		(609,748)
Interest on long-term debt	7,105		11,947	4,842
Unallocated depreciation	388,939			(388,939)
Total governmental activities	<u>\$21,595,833</u>	<u>\$ 1,840,962</u>	<u>\$ 6,955,919</u>	(12,798,952)
General revenues:				
Property taxes, levied for general purposes				6,201,830
State sources				6,559,106
Investment revenue				155,947
Miscellaneous				<u>583,032</u>
Total general revenue				<u>13,499,915</u>
Change in net assets				700,963
Net assets, beginning of year				<u>9,600,638</u>
Net assets, end of year				<u>\$ 10,301,601</u>

The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

		<u>SPECIAL REVENUE</u>	
	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION</u>	<u>TUSCOLA TECHNOLOGY</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 356,556	\$ 8,897,622	\$ 1,768,987
Investments	-	-	-
Accounts receivable	14,221	99,320	33,243
Due from other governmental units	150,277	2,465,406	337,104
Due from other funds	13,794	-	2,000
TOTAL ASSETS	<u>\$ 534,848</u>	<u>\$ 11,462,348</u>	<u>\$ 2,141,334</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
State aid note	-	-	\$ 800,000
Accounts payable	\$ 36,383	\$ 192,294	67,986
Accrued salaries and benefits	-	666,158	215,949
Accrued interest	-	-	18,960
Accrued & withheld payroll taxes	5,535	164,598	54,532
Deferred revenue	92,252	6,111,758	9,471
Due to other funds	-	2,000	-
TOTAL LIABILITIES	<u>134,170</u>	<u>7,136,808</u>	<u>1,166,898</u>
FUND BALANCE:			
Unreserved:			
Designated for debt retirement			
Designated for compensated absences	77,920	632,911	299,654
Undesignated	322,758	3,692,629	674,782
TOTAL FUND BALANCE	<u>400,678</u>	<u>4,325,540</u>	<u>974,436</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 534,848</u>	<u>\$ 11,462,348</u>	<u>\$ 2,141,334</u>

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 16,650	\$ 11,039,815
297,413	297,413
702	147,486
19,246	2,972,033
-	15,794
\$ 334,011	\$ 14,472,541

\$ 2,656	\$ 800,000
2,360	299,319
-	884,467
484	18,960
	225,149
	6,213,481
13,794	15,794
19,294	8,457,170

297,413	297,413
8,519	1,019,004
8,785	4,698,954
314,717	6,015,371
\$ 334,011	\$ 14,472,541

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2006

Total Fund Balances - Governmental Funds	\$ 6,015,371
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is:	13,914,307
Accumulated depreciation is:	(6,775,475)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable:	(1,823,286)
Compensated absences:	(1,019,004)
Accrued interest is full accrual vs. modified accrual	(41,340)

Balance of taxes receivable at 6/30/05 less allowance for doubtful accounts	<u>31,028</u>
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Net Assets of Governmental Activities	<u><u>\$ 10,301,601</u></u>
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The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	SPECIAL REVENUE		
	GENERAL FUND	SPECIAL EDUCATION	TUSCOLA TECHNOLOGY
REVENUES:			
Local sources	\$ 320,689	\$ 5,059,375	\$ 3,088,477
State sources	661,145	7,229,786	1,357,084
Federal sources	454,045	3,083,982	537,002
TOTAL REVENUES	1,435,879	15,373,143	4,982,563
EXPENDITURES:			
Instruction		5,895,903	2,608,078
Supporting services	1,409,510	8,077,457	1,926,828
Community services		53,661	369,617
Food service activities	-		
Debt service	-		
TOTAL EXPENDITURES	1,409,510	14,027,021	4,904,523
NET CHANGE IN FUND BALANCES	26,369	1,346,122	78,040
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-		
Operating transfers out	(37,716)	(53,790)	(19,807)
Transfer to other districts/municipalities	(185,927)	(388,304)	(35,517)
Transfers from other districts/municipalities	90,609	(8)	
Sale of school property		500	-
TOTAL OTHER FINANCING SOURCES (USES)	(133,034)	(441,602)	(55,324)
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(106,665)	904,520	22,716
FUND BALANCE - BEGINNING OF YEAR	330,358	3,421,020	951,720
TRANSFER COOPERATIVE EDUCATION FUND BALANCE	176,985		
FUND BALANCE - END OF YEAR	\$ 400,678	\$ 4,325,540	\$ 974,436

The accompanying notes are an integral part of the financial statements.

<u>SPECIAL REVENUE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>COOPERATIVE EDUCATION</u>		
	\$ 224,195	\$ 8,692,736
	134,083	9,382,098
	52,941	4,127,970
	<u>411,219</u>	<u>22,202,804</u>
	-	8,503,981
	355,356	11,769,151
		423,278
	92,852	92,852
	38,449	38,449
	<u>486,657</u>	<u>20,827,711</u>
	(75,438)	1,375,093
	111,313	111,313
	-	(111,313)
		(609,748)
		90,601
		500
	<u>111,313</u>	<u>(518,647)</u>
	35,875	856,446
\$ 176,985	278,842	5,158,925
(176,985)	-	-
<u>\$ -</u>	<u>\$ 314,717</u>	<u>\$ 6,015,371</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2006

Total net change in fund balances--governmental funds	\$ 856,446
--	-------------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(487,608)
Capital outlay	302,330

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	46,182
Accrued interest payable at the end of the year	(41,340)

Payment on Durant debt	26,501
------------------------	--------

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(28,138)
Accrued revenue at the end of the year	31,028

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	1,014,566
Accrued absences at the end of the year	(1,019,004)

Change in net assets of governmental activities	\$ 700,963
--	-------------------

The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u><u>\$ 43,087</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Due to other organizations	<u><u>\$ 43,087</u></u>

The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Tuscola Intermediate School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in GASB Statements #14 and #39, nor is the District a component unit of another entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District utilizes restricted resources to finance their respective, qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. These functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

Governmental Funds:

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

The *General Fund* is the District's primary administration fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District's **major** special revenue funds consist of the Special Education, Cooperative Education, and Tuscola Technology funds.

The District reports the following **nonmajor** governmental funds:

The *Special Revenue Funds* that are considered **nonmajor** consist of the Regional Education Media Center (REMC) and the Hot Lunch Fund. The District accounts for its food service activities in a special revenue fund. The District is also the fiscal agent for the Regional Educational Media Center.

The *Debt Service Fund* accounts for the servicing of general long-term debt. Durant accounts for the resources accumulated and payments made for principle and interest on long-term obligation debt as a result of the Durant settlement.

The *Capital Projects Fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Fiduciary Funds:

Fiduciary funds account for assets held by the district in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the district under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following **fiduciary** fund:

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements use the flow of *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach that provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006 the foundation allowance was based on the pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2005 to August, 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

OTHER ACCOUNTING POLICIES:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund	0.1415
Special Revenue Funds:	
Special Education Fund	2.4558
Technical Education Fund	1.6533

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

3. Receivables and Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds Balance Sheet.

4. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's policy is to capitalize individual amounts exceeding \$3,000.

5. Compensated Absences.

Accumulated vacation and sick pay amounts that are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the governmental funds using the modified accrual basis of accounting.

It is the policy of the District to allow for accumulation of unused sick days. Upon retirement, accumulated sick days for professional staff and administration become vested and are payable at one half of the employees current rate of pay for a maximum of 120 days. Professional staff employed after June 1, 1995 will be paid \$60 per day for a maximum of 120 days. For paraprofessionals unused sick days are payable at the rate of \$30 per day up to a maximum of 40 days. For non-union clerical employees unused sick days are payable at one half the employees current rate of pay for a maximum of 100 days. An estimate of this liability has been recorded in the statement of net assets.

6. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

7. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

8. Use of Estimates.

The process of preparing basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget (GAAP basis) and actual - general, special revenue, debt service and capital project funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP Basis) - general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY (Continued):

6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2006, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
Guaranteed Investment Contract (GIC)	\$297,413	3.9	A1+	100.0
Total fair value	<u>\$297,413</u>			100.0%
Portfolio weighted average maturity		<u>3.9</u>		

1 day maturity equals 0.0027, one year equals 1.00

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$11,875,752 of the District's bank balance of \$12,175,752 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the QZAB Bonds as disclosed in Note 7.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS, (Continued):

The Investment Agreement, dated as of September 10, 2002, by and among Bank of New York Trust Company, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia Bank, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 1.62% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia Bank, as guarantor of the Provider's obligations under this Investment Agreement.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 43,087
Cash - District wide	11,039,815
Investments - District wide	<u>297,413</u>
	<u><u>\$11,380,315</u></u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
Assets not being depreciated – land	\$ 131,000			\$ 131,000
Other capital assets:				
Building and Improvements	10,462,377	\$ 48,554		10,510,931
Office & Instructional Equipment	1,921,863	107,788		2,029,651
Transportation Equipment	<u>1,096,738</u>	<u>145,987</u>	<u> </u>	<u>1,242,725</u>
Subtotal - Other	13,480,978	302,329	-	13,783,307
Accumulated depreciation:				
Building and Improvements	(4,437,431)	(298,258)		(4,735,689)
Office & Instructional Equipment	(1,153,906)	(90,681)		(1,244,587)
Transportation Equipment	<u>(696,530)</u>	<u>(98,669)</u>	<u> </u>	<u>(795,199)</u>
Total accumulated depreciation	<u>(6,287,867)</u>	<u>(487,608)</u>	<u>-</u>	<u>(6,775,475)</u>
Net Other capital assets:	<u>7,193,111</u>	<u>(185,279)</u>	<u>-</u>	<u>7,007,832</u>
Net capital assets	<u><u>\$ 7,324,111</u></u>	<u><u>\$(185,279)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,138,832</u></u>

Depreciation for the fiscal year ended June 30, 2006 amounted to \$487,608. Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Supporting services	\$ 98,669
Unallocated	<u>388,939</u>
	<u><u>\$487,608</u></u>

NOTE 5 – STATE AID NOTE

The state aid note was dated October 6, 2005. The note bears interest at 3.16% and matures August 18, 2006. The District has pledged its future Tuscola Technology state aid as well as the full faith, credit and resources of the District.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 6 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 7 – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

Under section 52 & 53 of the State Aid Act, the School District is to be reimbursed for a percentage of their added costs. Reimbursements are made to the district based on estimated budgets and any adjustments are made on future state aid payments. Historically, the School District has recognized section 52 and 53 revenues on the accrual method. At June 30, 2006 the following amount has been recorded and included in the Special Education Fund.

	<u>Transportation</u>	<u>Section 52</u>	<u>Section 53</u>	<u>Total</u>
Added costs to be reimbursed	\$ 758,577	\$ 486,861	\$ 2,998,956	\$ 4,244,394
Current year allowance	<u>(738,505)</u>	<u>(524,694)</u>	<u>(2,238,704)</u>	<u>(3,501,903)</u>
Total	<u>\$ 20,072</u>	<u>\$ (37,833)</u>	<u>\$ 760,252</u>	742,491
July & August Payments				1,282,912
Federal Grants Receivable				<u>440,003</u>
Total Amount Due – Special Ed				<u>\$2,465,406</u>

A portion of Special Education State Aid revenue included reimbursement of certain direct and indirect costs. The reimbursement of these costs is based on estimated percentages and allowability as determined by the State of Michigan. These percentages are subject to change after review of the final cost reports filed by the District.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 8 - LONG-TERM DEBT:

The District issued bonds to provide funds for the acquisition, construction and improvement of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2002 Qualified Zone Academy Bonds in the amount of one million five hundred thousand (\$1,500,000). The bonds are interest free and are repayable September 10, 2016. The District is required to set aside \$96,314 beginning on September 10, 2003 and each year thereafter. The sum of these amounts set aside, together with the interest earned thereon, will be sufficient to repay the aggregate principal amount of the Bonds.

\$1,500,000

1998 limited obligation bonds (Durant bonds) (face amount \$547,514) due in annual installments ranging from \$29,086 to \$126,640 through May 15, 2013 with interest at 4.76%

323,286

Total long-term debt \$1,823,286

DEBT SERVICE REQUIREMENTS:

The annual requirements to amortize long-term debt outstanding as of June 30, 2006 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$ 126,640	\$ 54,791	\$ 181,431
2008	29,086	9,363	38,449
2009	30,471	7,978	38,449
2010	31,920	6,527	38,447
2011-2014	105,169	10,171	115,340
2015-2016	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
	1,823,286	88,830	1,912,116
Accumulated compensated absences	<u>1,019,004</u>	<u>-</u>	<u>1,019,004</u>
	<u>\$2,842,290</u>	<u>\$ 88,830</u>	<u>\$2,931,120</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 8 - LONG-TERM DEBT (Continued):

CHANGES IN LONG-TERM DEBT:

The following is a summary of the changes in long-term debt of the District:

	ACCUMULATED SICK & VACATION PAY	GENERAL OBLIGATIONS
Long-term debt, July 1, 2005	\$1,014,566	\$1,849,788
Net Increase in compensated absences	15,979	
Durant payment		(26,502)
Compensated absences paid	<u>(11,541)</u>	<u>-</u>
Long-term debt, June 30, 2006	<u>\$1,019,004</u>	<u>\$1,823,286</u>

At June 30, 2006, net assets of \$297,413 were available in the debt service fund to service the general obligation debt.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and post-retirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus and additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2005 was 14.87% through September 2005 and 16.34% for October 1, 2005 through June 30, 2006. The contribution requirements of plan members and the district are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2006, 2005, and 2004 were approximately 1,766,460, \$1,590,533 and \$1,355,266, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued):

OTHER POST-EMPLOYMENT BENEFITS:

Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

A recap of the interfund receivables and payables that exist at June 30, 2006 is as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$13,794	-
Tuscola Technology Fund	2,000	-
Special Education	-	\$ 2,000
REMC	<u>-</u>	<u>13,794</u>
Total	<u>\$15,794</u>	<u>\$15,794</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 11 – TRANSFERS

Transfers were made from the General Fund, Special Education Fund and the Tuscola Technology Fund to the Debt Retirement Fund for future QZAB obligations. Other transfers were made to supplement program costs. A summary is as follows:

	<u>Transfers To</u>	<u>Transfers From</u>
General Fund	\$ 37,716	-
Special Education Fund	53,790	-
Tuscola Technology Fund	19,807	-
Debt Retirement Fund	-	\$ 96,313
Hot Lunch Fund	<u>-</u>	<u>15,000</u>
Total	<u>\$111,313</u>	<u>\$111,313</u>

NOTE 12 – COOPERATIVE EDUCATION FUND

Effective July 1, 2005, the District combined the Cooperative Education Fund with the General Fund. There has been a steady decline in the number of grants that were being administered by the Cooperative Education Fund, therefore maintaining a separate fund for these grants was no longer necessary.

REQUIRED SUPPLEMENTARY INFORMATION

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 299,190	\$ 324,426	\$ 320,689	\$ (3,737)
State sources	600,930	689,782	661,145	(28,637)
Federal sources	480,302	472,319	454,045	(18,274)
TOTAL REVENUE	1,380,422	1,486,527	1,435,879	(50,648)
EXPENDITURES:				
Supporting services				
General education services	100,338	120,260	112,755	7,505
Audio-visual	12,000	11,534	11,534	-
Board of education	5,550	7,956	6,744	1,212
Pupil accounting	53,042	46,249	40,684	5,565
Executive administration	422,763	436,576	405,901	30,675
Fiscal services	24,600	24,190	16,736	7,454
Operation & maintenance	43,126	45,236	41,300	3,936
Computer specialist	106,227	129,878	113,728	16,150
Drug free grants	99,860	103,758	89,470	14,288
Health grants	64,356	115,606	89,720	25,886
Academically talented	1,200	400	363	37
Professional development	79,577	54,499	52,868	1,631
Tuscola consortium reading recovery	39,800	67,554	55,554	12,000
Truancy	40,300	44,200	44,170	30
Instructional technology	63,428	70,565	65,011	5,554
Emergency response/ safe schools	151,184	143,451	142,023	1,428
Reading first	25,000	15,512	18,112	(2,600)
Tri-county literacy	3,500	3,500	67	3,433
Other supporting services	187,703	128,537	102,770	25,767
TOTAL EXPENDITURES	1,523,554	1,569,461	1,409,510	159,951
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(143,132)	(82,934)	26,369	109,303
OTHER FINANCING SOURCES (USES):				
Transfers from other funds		-	-	
Transfers to other funds	(37,713)	(37,717)	(37,716)	(1)
Transfer to other districts/municipalities	(227,911)	(205,674)	(185,927)	19,747
Transfers from other districts/municipalities	183,700	92,402	90,609	(1,793)
TOTAL OTHER FINANCING SOURCES (USES)	(81,924)	(150,989)	(133,034)	17,953
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(225,056)	(233,923)	(106,665)	127,258
FUND BALANCE - JULY 1	330,358	330,358	330,358	-
TRANSFER COOPERATIVE EDUCATION FUND BALANCE	176,985	176,985	176,985	-
FUND BALANCE - JUNE 30	\$ 282,287	\$ 273,420	\$ 400,678	\$ 127,258

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 4,347,260	\$ 4,949,755	\$ 5,059,375	\$ 109,620
State sources	6,328,532	7,354,974	7,229,786	(125,188)
Federal sources	2,899,490	3,166,418	3,083,982	(82,436)
TOTAL REVENUE	13,575,282	15,471,147	15,373,143	(98,004)
EXPENDITURES:				
Instruction				
Added needs	6,070,991	6,000,647	5,895,903	104,744
Supporting services				
Instructional support	269,908	289,818	131,163	158,655
Pupil services	4,303,919	4,387,142	4,250,531	136,611
General administration	888,302	935,552	879,485	56,067
School administration	493,716	627,587	593,030	34,557
Operation & maintenance	574,123	587,233	516,584	70,649
Pupil transportation	1,189,103	1,451,852	1,420,477	31,375
Business services	149,098	191,072	186,206	4,866
Other support services	70,175	115,744	99,981	15,763
Community services	86,242	56,906	53,661	3,245
TOTAL EXPENDITURES	14,095,577	14,643,553	14,027,021	616,532
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(520,295)	827,594	1,346,122	518,528
OTHER FINANCING SOURCES (USES):				
Sale of school property	3,000	3,000	500	(2,500)
Transfers from other districts	350	350	(8)	(358)
Transfers to other districts	(156,500)	(406,500)	(388,304)	18,196
Transfers to other funds	(84,382)	(78,790)	(53,790)	25,000
TOTAL OTHER FINANCING SOURCES (USES):	(237,532)	(481,940)	(441,602)	40,338
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(757,827)	345,654	904,520	558,866
FUND BALANCE - JULY 1	3,421,020	3,421,020	3,421,020	
FUND BALANCE - JUNE 30	\$ 2,663,193	\$ 3,766,674	\$ 4,325,540	\$ 558,866

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
TUSCOLA TECHNOLOGY EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 3,022,224	\$ 3,084,766	\$ 3,088,477	\$ 3,711
State sources	1,188,302	1,342,390	1,357,084	14,694
Federal sources	577,732	580,510	537,002	(43,508)
TOTAL REVENUE	4,788,258	5,007,666	4,982,563	(25,103)
EXPENDITURES:				
Instruction				
Added needs	2,540,266	2,386,800	2,384,197	2,603
Customized training	208,272	226,696	223,881	2,815
Supporting services				
Cooperative coordinator	178,929	186,568	186,944	(376)
General administration	266,517	306,073	304,069	2,004
Office of the principal	437,550	435,086	435,600	(514)
TTC services	90,878	123,009	89,063	33,946
Data processing	323,303	313,482	315,431	(1,949)
Operation & maintenance	440,760	453,386	463,133	(9,747)
Other	73,753	161,918	132,588	29,330
Community services	390,664	371,133	369,617	1,516
TOTAL EXPENDITURES	4,950,892	4,964,151	4,904,523	59,628
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(162,634)	43,515	78,040	34,525
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	-	-	-
Contributions	-	-	-	-
Sale of assets	-	-	-	-
Transfers to other districts	(28,684)	(31,524)	(35,517)	(3,993)
Transfers to other funds	(19,807)	(19,807)	(19,807)	-
TOTAL OTHER FINANCING SOURCES (USES)	(48,491)	(51,331)	(55,324)	(3,993)
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(211,125)	(7,816)	22,716	30,532
FUND BALANCE - JULY 1	951,720	951,720	951,720	
FUND BALANCE - JUNE 30	\$ 740,595	\$ 943,904	\$ 974,436	\$ 30,532

ADDITIONAL INFORMATION

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2006

	<u>REMC</u>	<u>HOT LUNCH</u>	<u>DEBT RETIREMENT</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash	\$ 6,268	\$ 10,382		\$ 16,650
Investments	-	-	\$ 297,413	297,413
Accounts receivable	607	95	-	702
Due from other governmental units	16,494	2,752	-	19,246
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 23,369</u>	<u>\$ 13,229</u>	<u>\$ 297,413</u>	<u>\$ 334,011</u>
<u>LIABILITIES & FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 2,596	\$ 60	\$ -	\$ 2,656
Accrued salaries & benefits	1,243	1,117	-	2,360
Accrued interest	-	-	-	-
Accrued & withheld payroll taxes	430	54	-	484
Due to other funds	13,794	-	-	13,794
TOTAL LIABILITIES	<u>18,063</u>	<u>1,231</u>	<u>-</u>	<u>19,294</u>
FUND BALANCE:				
Undesignated	(3,213)	11,998		8,785
Designated for capital outlay				-
Designated for debt retirement			297,413	297,413
Designated for accumulated compensated absences	8,519			8,519
TOTAL FUND BALANCE	<u>5,306</u>	<u>11,998</u>	<u>297,413</u>	<u>314,717</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 23,369</u>	<u>\$ 13,229</u>	<u>\$ 297,413</u>	<u>\$ 334,011</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>REMC</u>	<u>HOT LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT RETIREMENT</u>	<u>TOTAL</u>
REVENUE:					
Local sources	\$ 196,781	\$ 23,193	\$ 69	\$ 4,152	\$ 224,195
State sources	90,677	4,957	-	38,449	134,083
Federal sources	8,704	44,237	-	-	52,941
TOTAL REVENUE	<u>296,162</u>	<u>72,387</u>	<u>69</u>	<u>42,601</u>	<u>411,219</u>
EXPENDITURES:					
Current:					
Supporting services	329,238		26,118		355,356
Food service activities		92,852			92,852
Debt service:					-
Principle redemption				26,502	26,502
Interest and fiscal charges				11,947	11,947
TOTAL EXPENDITURES	<u>329,238</u>	<u>92,852</u>	<u>26,118</u>	<u>38,449</u>	<u>486,657</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(33,076)</u>	<u>(20,465)</u>	<u>(26,049)</u>	<u>4,152</u>	<u>(75,438)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfer in	-	15,000	-	96,313	111,313
Operating transfer (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>96,313</u>	<u>111,313</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(33,076)</u>	<u>(5,465)</u>	<u>(26,049)</u>	<u>100,465</u>	<u>35,875</u>
FUND BALANCE - JULY 1	<u>38,382</u>	<u>17,463</u>	<u>26,049</u>	<u>196,948</u>	<u>278,842</u>
FUND BALANCE - JUNE 30	<u>\$ 5,306</u>	<u>\$ 11,998</u>	<u>\$ -</u>	<u>\$ 297,413</u>	<u>\$ 314,717</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property taxes - current levy	\$ 210,205	\$ 206,976	\$ (3,229)
Truancy fees	40,800	40,800	-
Health Ed workshop fees	14,000	14,074	74
TCCF healthy arts	-	-	-
Miscellaneous	47,421	46,214	(1,207)
Income on investment	12,000	12,625	625
	<u>324,426</u>	<u>320,689</u>	<u>(3,737)</u>
TOTAL REVENUE FROM LOCAL SOURCES			
REVENUE FROM STATE SOURCES:			
State aid	689,782	661,145	(28,637)
	<u>689,782</u>	<u>661,145</u>	<u>(28,637)</u>
REVENUE FROM FEDERAL SOURCES:			
Title VI	472,319	454,045	(18,274)
Other sources	-	-	-
	<u>472,319</u>	<u>454,045</u>	<u>(18,274)</u>
TOTAL REVENUES FROM FEDERAL SOURCES			
SALE OF ASSETS	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TRANSFERS FROM OTHER DISTRICTS	92,402	90,609	(1,793)
	<u>92,402</u>	<u>90,609</u>	<u>(1,793)</u>
TRANSFER FROM OTHER FUNDS	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>\$ 1,486,527</u>	<u>\$ 1,526,488</u>	<u>\$ 39,961</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Executive Administration:			
Salaries	\$ 216,619	\$ 214,606	\$ 2,013
Employee benefits	90,396	89,690	706
Purchased services	34,300	31,586	2,714
Supplies and other	7,000	6,528	472
Capital outlay	82,761	58,303	24,458
Miscellaneous	5,500	5,188	312
	<u>436,576</u>	<u>405,901</u>	<u>30,675</u>
Total Executive Administration			
Fiscal Services:			
Insurance	2,440	2,436	4
Contracted services	20,750	13,330	7,420
Capital Outlay	-	-	-
Miscellaneous	1,000	970	30
	<u>24,190</u>	<u>16,736</u>	<u>7,454</u>
Total Fiscal Services			
Operation and Maintenance:			
Salaries	17,686	17,134	552
Employee benefits	10,743	9,366	1,377
Utilities and telephone	7,500	6,945	555
Purchased services	2,752	2,264	488
Repairs and maintenance	3,650	3,062	588
Supplies & other	2,905	2,529	376
Capital outlay	-	-	-
	<u>45,236</u>	<u>41,300</u>	<u>3,936</u>
Total Operation & Maintenance			
Computer Specialist:			
Salaries	37,136	36,789	347
Employee benefits	28,509	20,971	7,538
Purchased services	54,234	46,522	7,712
Supplies & other	600	58	542
Capital outlay	9,399	9,388	11
	<u>129,878</u>	<u>113,728</u>	<u>16,150</u>
Total Computer Specialist			

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
General Education Services:			
Salaries	\$ 33,839	\$ 29,404	\$ 4,435
Employee benefits	25,865	23,848	2,017
Purchased services	51,574	51,446	128
Supplies & other	1,000	825	175
Miscellaneous	5,982	5,982	-
Capital outlay	2,000	1,250	750
	<u>120,260</u>	<u>112,755</u>	<u>7,505</u>
Total General Education Services			
Audio-visual:			
Salaries	-	-	-
Employee Benefits	-	-	-
Contracted Computer Service	-	-	-
Purchased services	11,534	11,534	-
Supplies	-	-	-
Miscellaneous	-	-	-
	<u>11,534</u>	<u>11,534</u>	<u>-</u>
Total Audio-visual			
Board of Education:			
Salaries	2,500	2,040	460
Purchased services	2,450	2,082	368
Supplies & other	800	416	384
Miscellaneous	2,206	2,206	-
	<u>7,956</u>	<u>6,744</u>	<u>1,212</u>
Total Board of Education			
Pupil Accounting			
Salaries	19,891	19,586	305
Benefits	19,458	16,517	2,941
Purchased services	3,900	2,986	914
Supplies	3,000	1,595	1,405
	<u>46,249</u>	<u>40,684</u>	<u>5,260</u>
Total Pupil Accounting			

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Drug Free Grants			
Salaries	\$ 59,714	\$ 55,064	\$ 4,650
Employee Benefits	29,488	23,494	5,994
Purchased Services	11,956	8,990	2,966
Supplies	2,600	1,922	678
Miscellaneous	-	-	-
Total Drug Free Grants	<u>103,758</u>	<u>89,470</u>	<u>14,288</u>
Health grants:			
Salaries	57,827	43,187	14,640
Employee benefits	34,225	23,792	10,433
Purchased services	21,442	20,772	670
Supplies & other	1,109	1,109	-
Capital outlay	-	-	-
Miscellaneous	1,003	860	143
Total Health Grants	<u>115,606</u>	<u>89,720</u>	<u>25,886</u>
Academically Talented:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	2	2	-
Supplies & other	398	361	37
Transfers	-	-	-
Miscellaneous	-	-	-
Total Academically Talented	<u>400</u>	<u>363</u>	<u>37</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Professional Development:			
Salaries	\$ 8,241	\$ 7,917	\$ 324
Employee benefits	6,379	6,205	174
Purchased services	35,679	34,523	1,156
Supplies & other	200	180	20
Miscellaneous	4,000	4,043	(43)
Total Professional Development	54,499	52,868	1,631
Tuscola Consortium Reading Recovery:			
Salaries	960	960	-
Employee benefits	2,113	2,112	1
Purchased services	62,030	50,032	11,998
Supplies & other	451	450	1
Miscellaneous	2,000	2,000	-
Capital outlay	-	-	-
Total Tuscola Consortium Reading Recovery	67,554	55,554	12,000
Truancy			
Employee benefits	40,800	41,646	
Purchased services	3,400	2,524	876
Miscellaneous	-	-	-
Total Truancy	44,200	44,170	30

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Instructional Technology			
Salaries	\$ 8,141	\$ 7,817	\$ 324
Employee benefits	6,373	6,176	197
Purchased services	55,451	50,644	4,807
Supplies & other	600	374	226
Total Instructional Technology	<u>70,565</u>	<u>65,011</u>	<u>5,554</u>
Emergency Response/School Safety			
Salaries	1,780	1,781	(1)
Employee benefits	807	450	357
Purchased services	140,000	139,163	837
Supplies & other	864	629	235
Capital outlay	-	-	-
Total Emergency Response/School Safety	<u>143,451</u>	<u>142,023</u>	<u>1,428</u>
Reading First			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	13,515	15,146	(1,631)
Supplies	-	-	-
Miscellaneous	1,997	2,966	(969)
Total Reading First	<u>15,512</u>	<u>18,112</u>	<u>(2,600)</u>
Tri-County Literacy			
Purchased services	3,000	-	3,000
Supplies	-	-	-
Miscellaneous	500	67	433
Total Tri-County Literacy	<u>3,500</u>	<u>67</u>	<u>3,433</u>
Other Supporting Services:			
Salaries	16,586	16,597	(11)
Employee benefits	16,002	10,072	5,930
Purchased services	78,807	73,662	5,145
Supplies & other	10,480	1,752	8,728
Capital outlay	-	-	-
Miscellaneous	6,662	687	5,975
Total Other Supporting Services	<u>128,537</u>	<u>102,770</u>	<u>25,767</u>
TOTAL SUPPORTING SERVICES	<u>1,569,461</u>	<u>1,409,510</u>	<u>159,951</u>
TRANSFERS TO OTHER DISTRICTS/MUNICIPALITIES	205,674	185,927	19,747
TRANSFERS TO OTHER FUNDS	<u>37,717</u>	<u>37,716</u>	<u>1</u>
TOTAL EXPENDITURES	<u>\$ 1,812,852</u>	<u>\$ 1,633,153</u>	<u>\$ 179,699</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 3,636,255	\$ 3,580,640	\$ (55,615)
Interest on delinquent tax	3,000	2,410	(590)
Interest on investment	60,000	87,700	27,700
Rentals	17,000	15,030	(1,970)
Transportation	18,000	21,202	3,202
Miscellaneous	215,500	215,056	(444)
Medicaid - SBS	1,000,000	1,137,337	137,337
Tuition & fees	-	-	-
TOTAL REVENUE FROM LOCAL SOURCES	<u>4,949,755</u>	<u>5,059,375</u>	<u>109,620</u>
REVENUE FROM STATE SOURCES:			
State aid - Section 26A, Renaissance	23,883	23,867	(16)
State aid - Section 51A	3,361,671	3,051,231	(310,440)
State aid - Section 53	2,862,538	3,023,689	161,151
State aid - Section 56	643,041	664,332	21,291
State aid - Section 81	406,951	406,951	-
State aid - Section 24	-	-	-
State aid - Other	56,890	59,716	2,826
TOTAL REVENUE FROM STATE SOURCES	<u>7,354,974</u>	<u>7,229,786</u>	<u>(125,188)</u>
REVENUE FROM FEDERAL SOURCES:			
Title I	52,140	49,904	(2,236)
94-142 Flow through Title I	2,742,408	2,681,852	(60,556)
Preschool incentive	147,191	138,225	(8,966)
Infant & toddler	96,679	96,679	-
Transition MJCRS	45,000	43,645	(1,355)
Other sources	-	-	-
Medicaid Outreach & Transportation	83,000	73,677	(9,323)
TOTAL REVENUE FROM FEDERAL SOURCES	<u>3,166,418</u>	<u>3,083,982</u>	<u>(82,436)</u>
TOTAL REVENUE	<u>15,471,147</u>	<u>15,373,143</u>	<u>(98,004)</u>
OTHER FINANCING SOURCES:			
ISD & Miscellaneous revenue	350	(8)	(358)
Sale of Assets	3,000	500	(2,500)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 15,474,497</u>	<u>\$ 15,373,635</u>	<u>\$ (100,862)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTIONS:			
Added needs:			
Salaries:			
Teachers	\$ 2,180,145	\$ 2,164,964	\$ 15,181
Substitute teachers	41,550	33,571	7,979
Teachers aides	1,225,491	1,205,775	19,716
Substitute teachers aides	94,700	92,731	1,969
Interpreter	-	-	-
Employee benefits:			
Insurance	1,143,185	1,121,173	22,012
Retirement	605,618	590,841	14,777
FICA	283,502	276,072	7,430
Purchased services	299,076	299,364	(288)
Teaching supplies	103,980	90,998	12,982
Capital outlay	19,900	17,107	2,793
Miscellaneous	3,500	3,307	193
TOTAL INSTRUCTION	<u>6,000,647</u>	<u>5,895,903</u>	<u>104,744</u>
SUPPORTING SERVICES			
Instructional Support			
Salaries	32,356	32,356	-
Employee benefits	15,602	15,602	-
Purchased services	90,000	72,221	17,779
Supplies	16,600	10,414	6,186
Miscellaneous	135,260	570	134,690
Total Instructional Support	<u>289,818</u>	<u>131,163</u>	<u>158,655</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services:			
Guidance Services			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	\$ 23,760	\$ 15,627	\$ 8,133
Supplies & other	3,600	3,475	125
Health Services			
Salaries	509,179	506,220	2,959
Employee benefits	263,074	259,382	3,692
Purchased services	7,800	5,532	2,268
Supplies & other	10,900	9,891	1,009
Capital outlay	-	-	-
Psychological Services			
Salaries	396,168	399,308	(3,140)
Employee benefits	162,941	161,226	1,715
Purchased services	20,800	17,686	3,114
Supplies & other	11,000	6,915	4,085
Capital outlay	-	-	-
Speech Pathology & Audiology Services			
Salaries	811,039	772,401	38,638
Employee benefits	381,280	367,248	14,032
Purchased services	166,470	176,250	(9,780)
Supplies & other	26,600	24,622	1,978
Capital outlay	48,150	45,919	2,231
Social Work Services			
Salaries	528,452	524,960	3,492
Employee benefits	247,977	241,043	6,934
Purchased services	10,200	8,438	1,762
Supplies & other	11,200	9,217	1,983
Visual Aid Services			
Salaries	67,555	67,555	-
Employee benefits	32,207	31,863	344
Purchased services	22,000	19,520	2,480
Supplies & other	2,600	2,137	463
Capital outlay	2,000	-	2,000

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Teacher Consultant			
Salaries	\$ 51,000	\$ 51,190	\$ (190)
Employee benefits	23,236	19,285	3,951
Purchased services	63,700	55,152	8,548
Supplies & other	3,265	2,884	381
Other Pupil Support Services			
Salaries	152,593	149,065	3,528
Employee benefits	53,926	51,376	2,550
Purchased services	228,570	212,364	16,206
Supplies & other	30,900	23,897	7,003
Capital outlay	12,000	8,353	3,647
Miscellaneous	1,000	530	470
Total Pupil Services	<u>4,387,142</u>	<u>4,250,531</u>	<u>136,611</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
General Administration:			
Salaries	\$ 380,879	\$ 379,690	\$ 1,189
Employee benefits	189,273	182,728	6,545
Purchased services	285,200	258,790	26,410
Supplies	50,800	35,800	15,000
Capital outlay	24,000	17,627	6,373
Miscellaneous	5,400	4,850	550
Total General Administration	<u>935,552</u>	<u>879,485</u>	<u>56,067</u>
School Administration:			
Salaries	354,374	338,447	15,927
Employee benefits	149,713	150,183	(470)
Purchased services	31,800	21,686	10,114
Supplies & other	64,000	62,095	1,905
Capital outlay	23,200	17,947	5,253
Miscellaneous	4,500	2,672	1,828
Total School Administration	<u>627,587</u>	<u>593,030</u>	<u>34,557</u>
Operation & Maintenance:			
Salaries	191,573	194,043	(2,470)
Employee benefits	99,960	99,542	418
Insurances	16,600	14,648	1,952
Telephone	22,300	5,770	16,530
Utilities	29,600	21,648	7,952
Repairs & maintenance	22,500	10,155	12,345
Custodial supplies	60,100	54,425	5,675
Capital outlay	144,600	116,353	28,247
Total Operation & Maintenance	<u>587,233</u>	<u>516,584</u>	<u>70,649</u>
Pupil Transportation:			
Salaries	654,925	651,837	3,088
Employee benefits	366,117	365,030	1,087
Insurance	12,600	11,179	1,421
Repairs & maintenance	20,000	9,714	10,286
Leased payments	14,000	12,516	1,484
Gas, oil, & grease	110,000	110,075	(75)
Private auto	53,000	51,091	1,909
Capital outlay	155,000	149,026	5,974
Supplies	66,210	60,009	6,201
Total Pupil Transportation	<u>1,451,852</u>	<u>1,420,477</u>	<u>31,375</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Business Services:			
Salaries	\$ 82,000	\$ 81,966	\$ 34
Employee benefits	19,672	19,278	394
Professional services	26,400	21,294	5,106
Interest	22,000	21,997	3
Workers compensation & unemployment	26,000	27,100	(1,100)
Capital outlay	-	-	-
Misc. - property tax rebates	15,000	14,571	429
Total Business Services	<u>191,072</u>	<u>186,206</u>	<u>4,866</u>
Other Support Services			
Salaries	38,835	38,696	139
Employee benefits	33,648	32,649	999
Purchased services	43,261	28,636	14,625
Miscellaneous	-	-	-
Total Other Support Services	<u>115,744</u>	<u>99,981</u>	<u>15,763</u>
TOTAL SUPPORTING SERVICES	<u>8,586,000</u>	<u>8,077,457</u>	<u>334,125</u>
COMMUNITY SERVICES			
Salaries	12,190	12,147	43
Employee benefits	2,743	2,668	75
Purchased services	25,600	26,338	(738)
Supplies and other	16,373	12,508	3,865
TOTAL COMMUNITY SERVICES	<u>56,906</u>	<u>53,661</u>	<u>3,245</u>
TRANSFERS TO OTHER FUNDS	78,790	53,790	25,000
TRANSFERS TO OTHER DISTRICTS/MUNICIPALITIES	<u>406,500</u>	<u>388,304</u>	<u>18,196</u>
TOTAL EXPENDITURES	<u>\$ 15,128,843</u>	<u>\$ 14,469,115</u>	<u>\$ 659,728</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property taxes	\$ 2,434,359	\$ 2,411,324	\$ (23,035)
Taxes - other	-	-	-
Interest on investments	46,809	49,758	2,949
Program sales	127,226	137,462	10,236
Tuition & fees	176,254	176,803	549
Rentals	284,158	296,296	12,138
Miscellaneous	15,960	16,834	874
TOTAL REVENUE FROM LOCAL SOURCES	<u>3,084,766</u>	<u>3,088,477</u>	<u>3,711</u>
REVENUE FROM STATE SOURCES:			
Administrative	12,000	55,829	43,829
Added costs	307,133	307,134	1
Millage grant	609,571	625,567	15,996
Section 26A - Renaissance zone	16,079	16,068	(11)
Section 81	266,602	266,602	-
Other State Sources	131,005	85,884	(45,121)
TOTAL REVENUE FROM STATE SOURCES	<u>1,342,390</u>	<u>1,357,084</u>	<u>14,694</u>
REVENUE FROM FEDERAL SOURCES:			
Regional allocation	122,064	122,064	-
Curriculum development	-	-	-
Incumbent worker	-	-	-
Staffing grant	275,245	231,241	(44,004)
Tech prep	34,938	39,799	4,861
Other	148,263	143,898	(4,365)
REVENUE FROM FEDERAL SOURCES	<u>580,510</u>	<u>537,002</u>	<u>(43,508)</u>
TRANSFERS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES			
Contributions	-	-	-
Sale of assets	-	-	-
TOTAL TUSCOLA TECHNOLOGY EDUCATION REVENUE	<u>\$ 5,007,666</u>	<u>\$ 4,982,563</u>	<u>\$ (25,103)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Added Needs:			
Salaries			
Teachers	\$ 1,344,840	\$ 1,345,749	\$ (909)
Substitute teachers	15,482	15,510	(28)
Secretary	30,625	30,737	(112)
Employee benefits	695,901	697,597	(1,696)
Purchased services	78,789	75,648	3,141
Teaching supplies & other	213,750	215,840	(2,090)
Capital outlay	-	-	-
Miscellaneous	7,413	3,116	4,297
Total Added Needs	<u>2,386,800</u>	<u>2,384,197</u>	<u>2,603</u>
Customized Training:			
Salaries			
Supervisor	38,176	38,796	(620)
Teacher	44,512	46,285	(1,773)
Secretary	-	-	-
Employee benefits	36,562	36,985	(423)
Purchased services	67,674	58,456	9,218
Teaching supplies & textbooks	19,151	22,564	(3,413)
Miscellaneous	20,085	20,259	(174)
Capital Outlay	536	536	-
Total Customized Training	<u>226,696</u>	<u>223,881</u>	<u>2,815</u>
TOTAL INSTRUCTION	<u>2,613,496</u>	<u>2,608,078</u>	<u>5,418</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Cooperative Coordinator:			
Salaries	\$ 122,583	\$ 122,421	\$ 162
Employee benefits	61,222	62,102	(880)
Purchased services	1,998	2,082	(84)
Supplies & other	750	329	421
Capital outlay	-	-	-
Miscellaneous	15	10	5
	<u>186,568</u>	<u>186,944</u>	<u>(376)</u>
Total Cooperative Coordinator			
General Administration:			
Salaries	198,154	198,232	(78)
Employees benefits	84,172	84,628	(456)
Purchased services	18,162	15,629	2,533
Supplies & other	4,017	4,023	(6)
Capital outlay	-	-	-
Miscellaneous	1,568	1,557	11
	<u>306,073</u>	<u>304,069</u>	<u>2,004</u>
Total General Administration			

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Office of the Principal:			
Salaries	\$ 279,939	\$ 279,711	\$ 228
Employee benefits	137,458	139,384	(1,926)
Purchased services	10,612	10,556	56
Supplies & other	5,807	4,854	953
Capital outlay	-	-	-
Miscellaneous	1,270	1,095	175
Total Office of the Principal	<u>435,086</u>	<u>435,600</u>	<u>(514)</u>
TTC Services:			
Purchased services	68,385	57,604	10,781
Supplies & other	14,594	11,097	3,497
Capital outlay	40,030	20,362	19,668
Total TTC Services	<u>123,009</u>	<u>89,063</u>	<u>33,946</u>
Data Processing:			
Salaries	165,980	166,325	(345)
Employee benefits	96,942	101,973	(5,031)
Purchased services	37,670	34,689	2,981
Supplies & other	12,700	12,419	281
Capital Outlay	-	-	-
Miscellaneous	190	25	165
Total Data Processing	<u>313,482</u>	<u>315,431</u>	<u>(1,949)</u>
Operation & Maintenance:			
Salaries - Supervisors	28,314	28,314	-
Salaries - Secretary	159,129	160,571	(1,442)
Employee benefits	102,687	102,081	606
Telephone & sewage	8,980	8,981	(1)
Utilities	114,682	120,972	(6,290)
Purchased services	27,394	29,369	(1,975)
Supplies & other	12,200	12,845	(645)
Capital Outlay	-	-	-
Total Operation & Maintenance	<u>453,386</u>	<u>463,133</u>	<u>(9,747)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Other Supporting Services:			
Salaries	\$ 16,190	\$ 16,326	\$ (136)
Employee benefits	3,582	3,447	135
Professional service	86,112	41,384	44,728
Insurance	28,898	28,684	214
Unemployment & workers compensation	7,923	7,521	402
Supplies	4,791	4,892	(101)
Capital outlay	-	-	-
Miscellaneous	14,422	30,334	(15,912)
Total Other Supporting Services	161,918	132,588	29,330
TOTAL SUPPORTING SERVICES	1,979,522	1,926,828	52,694
COMMUNITY SERVICES			
Salaries	180,213	180,257	(44)
Employee benefits	126,388	126,688	(300)
Purchased services	51,650	50,129	1,521
Supplies	12,882	12,543	339
TOTAL COMMUNITY SERVICES	371,133	369,617	1,516
TRANSFERS TO OTHER FUNDS	19,807	19,807	-
TRANSFERS TO OTHER DISTRICTS/MUNICIPALITIES	31,524	35,517	(3,993)
TOTAL TUSCOLA TECHNOLOGY EDUCATION FUND EXPENDITURES	<u>\$ 5,015,482</u>	<u>\$ 4,959,847</u>	<u>\$ 55,635</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REGIONAL EDUCATION MEDIA CENTER
SCHEDULE OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Assessments from participating schools	\$ 122,055	\$ 122,055	-
Equipment repair	6,400	7,244	\$ 844
Cooperative purchasing	4,500	4,428	(72)
Miscellaneous	12,500	12,501	1
Thumb Area T.V. Project	38,400	38,379	(21)
TCOM Project	7,400	7,391	(9)
Audio visual services	3,500	3,173	(327)
Interest on investments	1,800	1,610	(190)
TOTAL REVENUE FROM LOCAL SOURCES	<u>196,555</u>	<u>196,781</u>	<u>226</u>
REVENUE FROM STATE SOURCES:			
State aid	<u>90,677</u>	<u>90,677</u>	<u>-</u>
REVENUE FROM FEDERAL SOURCES:			
Title VI	<u>8,704</u>	<u>8,704</u>	<u>-</u>
TRANSFERS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>\$ 295,936</u>	<u>\$ 296,162</u>	<u>\$ 226</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REGIONAL EDUCATION MEDIA CENTER
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES			
TV Services:			
Purchased services	-	-	-
Electricity	\$ 1,000	\$ 334	\$ 666
Supplies	-	-	-
Capital Outlay	-	-	-
Total TV Services	<u>1,000</u>	<u>334</u>	<u>666</u>
Other Staff Services:			
Salaries & benefits	209,760	213,336	(3,576)
Purchased services	46,925	46,802	123
Supplies & other	<u>16,280</u>	<u>15,649</u>	<u>631</u>
Total Other Staff Services	<u>272,965</u>	<u>275,787</u>	<u>(2,822)</u>

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REGIONAL EDUCATION MEDIA CENTER
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Fiscal & Internal Services:			
Purchased services	\$ 12,641	\$ 12,386	\$ 255
Miscellaneous	8,704	8,699	5
Capital outlay	400	-	400
Total Fiscal & Internal Services	<u>21,745</u>	<u>21,085</u>	<u>660</u>
Operation & Maintenance:			
Vehicle repair	5,900	5,797	103
Telephone	10,000	10,547	(547)
Contract services	4,210	4,088	122
Utilities	8,750	8,855	(105)
Supplies & other	3,200	2,745	455
Total Operation & Maintenance	<u>32,060</u>	<u>32,032</u>	<u>28</u>
TOTAL SUPPORTING SERVICES	<u>327,770</u>	<u>329,238</u>	<u>(1,468)</u>
TOTAL EXPENDITURES	<u>\$ 327,770</u>	<u>\$ 329,238</u>	<u>\$ (1,468)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
HOT LUNCH FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Local:			
Meals	\$ 15,000	\$ 13,208	\$ (1,792)
Interest	50	33	(17)
Miscellaneous	10,050	9,952	(98)
Total Local	<u>25,100</u>	<u>23,193</u>	<u>(1,907)</u>
State aid	<u>5,062</u>	<u>4,957</u>	<u>(105)</u>
Federal aid	<u>40,000</u>	<u>44,237</u>	<u>4,237</u>
TOTAL REVENUE	<u>70,162</u>	<u>72,387</u>	<u>2,225</u>
EXPENDITURES:			
Food	38,000	36,252	1,748
Milk	4,800	3,252	1,548
Federal food allocation	5,400	3,544	1,856
Non-food items	4,500	5,101	(601)
Salaries	33,000	26,455	6,545
Employee benefits	15,225	13,072	2,153
Purchased service	2,825	1,805	1,020
Miscellaneous supplies	1,000	740	260
Capital outlay	2,650	2,631	19
Miscellaneous	100	-	100
TOTAL EXPENDITURES	<u>107,500</u>	<u>92,852</u>	<u>14,648</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(37,338)</u>	<u>(20,465)</u>	<u>16,873</u>
OTHER FINANCING SOURCES:			
Operating transfers from other funds	40,000	15,000	(25,000)
EXCESS (DEFICIT) OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ 2,662</u>	<u>(5,465)</u>	<u>\$ (8,127)</u>
FUND BALANCE - JULY 1		<u>17,463</u>	
FUND BALANCE - JUNE 30		<u>\$ 11,998</u>	

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Interest on investments	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 69</u>
TOTAL REVENUE	<u>-</u>	<u>69</u>	<u>69</u>
EXPENDITURES:			
Capital outlay	<u>-</u>	<u>26,118</u>	<u>(26,118)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>26,118</u>	<u>(26,118)</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u><u>\$ -</u></u>	<u><u>(26,049)</u></u>	<u><u>\$ (26,049)</u></u>
FUND BALANCE - JULY 1		<u>26,049</u>	
FUND BALANCE - JUNE 30		<u><u>\$ -</u></u>	

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY STUDENT ACTIVITY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

	DUE TO STUDENT ACTIVITIES & OTHER ORGANIZATIONS June 30, 2005	RECEIPTS	DISBURSEMENTS	DUE TO STUDENT ACTIVITIES & OTHER ORGANIZATIONS June 30, 2006
TOTAL AGENCY FUND	\$ 39,795	\$ 120,090	\$ 116,798	\$ 43,087

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT - 1998 ISSUE
June 30, 2006

\$547,514 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 126,640	\$ 54,791	2007	\$ 181,431
29,086	9,363	2008	38,449
30,471	7,978	2009	38,449
31,920	6,527	2010	38,447
33,441	5,008	2011	38,449
35,031	3,415	2012	38,446
36,697	1,747	2013	38,444
\$ 323,286	\$ 88,829		\$ 412,115

The above bond issue bears interest at 4.76%. The bond proceeds were used for furnishing and equipping the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT

ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2006

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 4, 2006

To the Board of Education
Tuscola Intermediate School District
Caro, MI 48723

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuscola Intermediate School District as of and for the year ended June 30, 2006, which collectively comprise Tuscola Intermediate School District's basic financial statements of the District's primary government and have issued our report thereon dated August 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Tuscola Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Tuscola Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
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Jamie L. Peasley, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

August 4, 2006

To the Board of Education
Tuscola Intermediate School District
Caro, MI 48723

COMPLIANCE

We have audited the compliance of Tuscola Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Tuscola Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Tuscola Intermediate School District's management. Our responsibility is to express an opinion on Tuscola Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tuscola Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Tuscola Intermediate School District's compliance with those requirements.

In our opinion, Tuscola Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

To the Board of Education
August 4, 2006

INTERNAL CONTROL OVER COMPLIANCE

The management of Tuscola Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Tuscola Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tuscola Intermediate School District as of and for the year ended June 30, 2006, and have issued our report thereon dated August 4, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Tuscola Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2005	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2006
Title I	84.010	0615300506	\$ 26,224	-	-	\$ 22,640	\$ 22,640	-
			-	-	-	-	-	-
			26,224	-	-	22,640	22,640	-
Title V	84.298	0602500506	-	-	-	-	-	-
			8,932	-	-	8,932	8,932	-
			8,932	-	-	8,932	8,932	-
Public Law 94-142	84.027 *	0504500405 0604500506 060490TS 060480EOSD	-	-	-	-	-	-
			2,320,506	\$ 28,345	1,398,509	950,342	921,997	\$ 89,769
			2,380,821	-	-	1,549,890	1,639,659	-
			70,000	-	-	70,000	70,000	-
			50,000	-	-	50,000	50,000	-
			-	-	-	-	-	-
Preschool Incentive	84.173 *	0604600506 0504600405	-	28,345	1,398,509	2,620,232	2,681,656	89,769
			4,821,327	-	-	-	-	-
			-	-	-	-	-	-
Infant/Toddler	84.181	061340190 051340190	118,670	-	-	100,376	109,704	9,328
			120,518	2,245	91,997	30,766	28,521	-
			239,188	2,245	91,997	131,142	138,225	9,328
Title II A	84.367	061340190 051340190	86,932	-	-	86,932	86,932	-
			93,106	3,208	83,559	12,955	9,747	-
			180,038	3,208	83,559	99,887	96,679	-
* = cluster	84.367	0605200506	-	-	-	-	-	-
			632	-	-	632	632	-
			632	-	-	632	632	-

* = cluster

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2005	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2006
U.S. DEPARTMENT OF EDUCATION: Passed through Michigan Dept. of Education:	84.186	628600506 528600506 528600405	\$ 140,916 27,462 107,337	- - \$ 5,423	- -	\$ 100,208 27,462 5,423	\$ 106,208 27,462 -	\$ 6,000 -
			275,715	5,423	107,337	133,093	133,670	6,000
Passed through Sanilac ISD:	84.048A	6012-11	122,064	-	-	122,064	122,064	-
				-	-			-
			122,064	-	-	122,064	122,064	-
Passed through Michigan Jobs Commission:	84.126	MDCD-RS-05 MDCD-RS-06	41,405 43,645 85,050	2,810 -	41,405 -	2,810 43,645 46,455	- 43,645 43,645	- -
				2,810	41,405			
Passed through Huron ISD:	84.243A	6014-11 501411	39,799 33,856 73,655	- 28,912 28,912	- 33,856 33,856	34,938 28,912 63,850	39,799 -	4,861 -
							39,799	4,861
Entrepreneurship Grant	84.048 84.048A	5016-6 6016-4	17,138 3,778 20,916	17,138 -	17,138 -	17,138 2,825 19,963	- 3,778 3,778	- 953 953
				17,138	17,138			
Passed through Lapeer ISD:	84.002A	511085051130	29,200 36,500 65,700	- 4,381 4,381	- 36,500 36,500	23,679 4,381 28,060	29,200 -	5,521 -
							29,200	5,521
Passed through Macomb ISD:	84.027	MIBLSI Grant	6,500 6,500	- -	- -	6,500 6,500	4,142 4,142	(2,358) (2,358)

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2005	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2006
U.S. DEPARTMENT OF EDUCATION:								
Passed through Vassar Community Schools Title I	84.010	0617000506 0417000405	25,916 26,477 52,393	- \$ (1,348) \$ (1,348)	- - -	\$ 25,916 - 25,916	\$ 25,916 1,348 27,264	- - -
USDE Direct Flow-Through Safe & Drug Free Schools - National	84.184	Q184E030029	479,998	1,378	\$ 313,368	168,008	166,630	-
TOTAL U.S. DEPARTMENT OF EDUCATION			6,458,332	92,492	2,123,669	3,497,374	3,518,956	114,074
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through M.D.E. Commodity: Supplemental Food Program	10.550		2,983	-	-	2,983	2,983	-
National School Lunch	10.555		-	1,276	-	39,982	40,693	1,987
Bonus Commodity	10.565		561 3,544	- 1,276	-	561 43,526	561 44,237	- 1,987
Passed through Thumb Area Michigan Works: Staffing Grant	10.561		59	-	-	59	59	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			3,603	1,276	-	43,585	44,296	1,987

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2005	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2006
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:								
Passed through Michigan Department of Social Services:								
Medicaid Cluster:	93.778							
Transportation			\$ 18,507	\$ 2,758	-	\$ 15,502	\$ 12,761	\$ 17
Administrative Outreach			60,918	-	-	60,918	60,918	-
			79,425	2,758	-	76,420	73,679	17
Passed through Michigan Department of Community Health:								
Michigan Abstinence Partnership Program	93.235	04-05 05-06	127,500	28,529	102,679	53,350	24,821	-
			131,688	-	-	102,026	102,026	-
			259,188	28,529	102,679	155,376	126,847	-
Health Ed - Medicaid portion	93.778		20,296	-	-	20,296	20,296	-
Passed through Thumb Area Michigan Works: T.A.N.F. - Staffing Grant	93.558		63,200	-	-	63,200	63,200	-
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			422,109	31,287	102,679	315,292	284,022	17
U.S. DEPARTMENT OF LABOR:								
Passed through Thumb Area Michigan Works:								
Reed	Unknown	TAMWA	69,604	29,626	\$ 69,604	29,626	-	-
WIA Youth Activities	17.259		19,787	-	-	19,787	19,787	-
Employment Services	17.207		83,394	-	-	54,915	83,394	28,479
Employment Services	17.207		-	-	-	-	-	-
WIA Adult Program	17.258		34,200	-	-	34,200	34,200	-
Career Prep 2004	17.259	TAMWA-05	78,100	-	-	44,203	77,783	33,580
Career Prep 2005	17.259	TAMWA-05	82,500	16,564	-	16,564	-	-
Summer Youth 2003	17.259		17,483	-	-	17,483	17,483	-
Summer Youth 2004	17.259		50,000	-	-	5,000	25,000	20,000
Summer Youth 2005	17.259	TAMWA	50,000	31,820	41,820	39,957	8,137	-
Dislocated Worker	17.259		13,116	-	-	13,116	13,116	-
WIA Youth - Youth Tour	17.259		196	-	-	196	196	-
TOTAL U.S. DEPARTMENT OF LABOR			498,380	78,010	111,424	275,047	279,096	82,059
U.S. DEPARTMENT OF HOMELAND SECURITY								
Passed through Michigan State Police: 2003 Homeland Security Grant	97.004		1,600	-	-	1,600	1,600	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			1,600	-	-	1,600	1,600	-
GRAND TOTAL			\$ 7,384,024	\$ 203,065	\$ 2,337,772	\$ 4,132,898	\$ 4,127,970	\$ 198,137

The accompanying notes are an integral part of this schedule.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>PASS-THROUGH GRANTEE</u>	<u>CFDA NUMBER</u>	<u>STATE PASS-THROUGH NUMBER</u>	<u>CURRENT YEAR PASS-THROUGH</u>
<u>DRUG FREE SCHOOLS & COMMUNITIES</u>	84.186	052860/0405	
Akron-Fairgrove			\$ 994
Bad Axe			7,837
Carsonville-Port Sanilac			2,227
Cass City			4,454
Croswell-Lexington			1,500
Deckerville			1,931
Harbor Beach			1,496
Kingston			2,214
Marlette			5,214
North Huron			1,348
Owendale-Gagetown			1,047
Peck			1,500
Reese			958
Sandusky			3,899
Ubley			2,243
Unionville-Sebewaing			3,267
Vassar			2,000
			<u>\$ 44,130</u>
<u>EMERGENCY RESPONSE/SCHOOL SAFETY</u>			
Bay Arenac Intermediate			19,225
Huron Intermediate			2,603
Saginaw Intermediate			62,508
Sanilac Career Center			741
Sanilac Intermediate			1,281
			<u>\$ 86,357</u>
<u>HANDICAPPED PRESCHOOL & SCHOOL PROGRAM</u>	84.027	050480/TMT	
Akron-Fairgrove			477
Saginaw Intermediate			1,040
			<u>\$ 1,517</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>PASS-THROUGH GRANTEE</u>	<u>CFDA NUMBER</u>	<u>STATE PASS-THROUGH NUMBER</u>	<u>CURRENT YEAR PASS-THROUGH</u>
<u>TECH PREP - PERKINS (FROM HURON ISD)</u>	84.243	501411	
Akron-Fairgrove			\$ 2,077
Caro			1,597
Cass City			2,980
Kingston			2,077
Lapeer			304
Mayville			2,077
Millington			3,269
Reese			631
Unionville-Sebewaing			3,236
Vassar			3,000
			<hr/>
			\$ 21,248

The accompanying notes are an integral part of this schedule.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tuscola Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. IDEA 94-142, CFDA #84.027 & 84.173 Cluster, was audited as a major program and represents 68% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. The amounts reported on the Receipt Entitlement Balance Report agree with this schedule for USDA donated food commodities.

NOTE 3 – RECONCILIATION OF FEDERAL REVENUE

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	<u>\$4,127,970</u>
Federal expenditures per Schedule of Federal Awards	<u>\$4,127,970</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Number(s)
84.027 & 84.173 Cluster

Name of Federal Program or Cluster
IDEA 94-142

Dollar threshold used to distinguish between type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2006

There were no prior year audit findings for the year ended June 30, 2005.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

August 4, 2006

To the Board of Education
Tuscola Intermediate School District
Caro, MI 49031-9648

In planning and performing our audit of the financial statements of Tuscola Intermediate School District for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 4, 2006, on the financial statements of Tuscola Intermediate School District.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letter to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is currently reviewing their interpretation of Section 17(2). This would be a situation where a district's actual revenues were less than budgeted revenues and, at the same time, depleted the district fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. While there may be technical violations of the act, we believe the district's current budget procedures are excellent.

Cash Management – Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during fiscal year 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management.

We recommend the District request funds on a reimbursement basis in order to ensure compliance with the revised cash management interpretation.

New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a "material weakness" and added two new categories of deficiencies, "significant deficiency" and "control deficiency". Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. Historically, we have prepared the financial statements and footnotes for the District. We will have to evaluate the District's ability to produce appropriate financial statements and footnotes and, accordingly, if any control deficiencies exist.

To the Board of Education
Tuscola Intermediate School District

August 4, 2006
Page three

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various schools district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Tuscola Intermediate School District, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS